

## Message Text

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ACTION EUR-25

INFO OCT-01 SS-20 NSC-07 CIAE-00 PM-07 INR-11 L-03 ACDA-19

NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15 TRSE-00

SAJ-01 OMB-01 IO-14 ISO-00 EB-11 ABF-01 DRC-01 /146 W

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R 131645Z AUG 74

FM USMISSION NATO

TO SECSTATE WASHDC 7136

SECDEF WASHDC

INFO USCINCEUR

USNMR SHAPE

C O N F I D E N T I A L USNATO 4370

E.O. 11652: GDS 80

TAGS: NATO XG ETRN

SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM - US CONTRIBUTION  
TO OPERATING DEFICIT

REF: A. USNATO 4207

B. STATE 169763

FOLLOWING LETTER DATED 13 AUG 74 SENT BY ACTING PERM REP  
MCAULIFFE TO COLONEL R.E. HOLDEN, CHAIRMAN, CENTRAL EUROPE  
PIPELINE POLICY COMMITTEE, IN RESPONSE TO HIS LETTER TO  
AMBASSAFOR RUMSFELD REPEATED REF A:

BEGIN TEXT:

DEAR MR. CHAIRMAN: THANK YOU FOR YOUR LETTER OF AUGUST 1 TO  
AMBASSADOR RUMSFELD. IN THE ABSENCE OF THE AMBASSADOR, MY  
AUTHORITIES HAVE ASKED ME TO ENCOURAGE YOU IN YOUR CONTINUING  
EFFORTS TO ACHIEVE AN ACCEPTABLE COST SHARING FORMULA BEFORE  
THE CEPS REACHES THE FINANCIAL STRAITS ANTICIPATED IN YOUR LETTER.

LAST NOVEMBER, WHEN THE US INFORMED THE CEPPC THAT WE WERE  
WITHOLDING OUR 36 PCR CONTRIBUTION TOWARD THE CHRONIC DEFICIT,  
MY AUTHORITIES BELIEVED THAT THE COMMITTEE WOULD HAVE AGREED  
TO AN ACCEPTABLE COST SHARING FORMULA WELL BEFORE THE OTHER 64  
PCT OF CONTRIBUTIONS HAD BEEN EXHAUSTED. US HOPES WERE  
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DISAPPOINTED AND WE AGREED TO MAKE A 12 PCT CONTRIBUTION IN  
JULY ONLY TO PROVIDE MORE TIME FOR OUT ALLIES TO ELIMINATE THE  
INEQUITIES OF THE PREVIOUS COST SHARING ARRANGEMENT AND TO AGREE  
ON ITS MODIFICATION. THE TIME HAS COME, IN WASHINGTON'S VIEW,

WHEN THE CEPS ALLIES MUST RESOLVE THE MAIN PROBLEM OF INEQUITABLE COST SHARING OF THE DEFICIT.

THE US TOOK A CONSCIOUS DECISION NOT TO CONTRIBUTE TOWARD THE EXPECTED 1974 DEFICIT UNTIL THE ACCOMPLISHMENT OF A MORE EQUITABLE COST SHARING FORMULA. THE US TOOK THE POSITION WITH REGRET AFTER EXTENSIVE EFFORTS TO ACHIEVE BETTER PERSONNEL AND FINANCIAL MANAGEMENT OF THE SYSTEM AND TO TERMINATE THE PROCEDURE WHEREBY SOME HOST NATIONS LEVY TAXES ON THE SYSTEM HAD FAILED TO BEAR FRUIT. AS STATED IN THE CEPPC JUNE MEETING BY THE US REPRESENTATIVE, MY AUTHORITIES CONTINUE TO STRIVE (1) FOR ELIMINATION, AS FAR AS POSSIBLE, OF THE OPERATING DEFICIT OF THE CEPS, AND (2) FOR AN EQUITABLE SHARING OF THE COSTS OF OPERATING THE SYSTEM.

FOR THESE REASONS, THE US INTENDS TO MAKE NO FURTHER CONTRIBUTIONS TO THE CEPS DEFICIT FOR 1974 UNTIL A NEW COST SHARING FORMULA HAS BEEN APPROVED. US REPRESENTATIVES WILL CONTINUE TO WORK WITH OTHER MEMBERS OF THE CEPPC TO ARRIVE AT AN ACCEPTABLE FORMULA. PERHAPS THE FORMULA TENTATIVELY PROPOSED BY THE US REPRESENTATIVE DURING THE JULY MEETING MIGHT FIND FAVOR WITH THE COMMITTEE DURING ITS MEETING ON SEPTEMBER 9. IN ANY EVENT, MY AUTHORITIES SUGGEST THAT THE MEETING SCHEDULED TO CONVENE ON SEPTEMBER 9 BE CONTINUED AS LONG AS NECESSARY TO ARRIVE AT A FORMULA FOR PRESENTATION TO THE EIGHT PERMANENT REPRESENTATIVES. THE COMMITTEE SHOULD TAILOR THEIR ACTION TO AVOID THE SERIOUS FINANCIAL PROBLEMS WHICH WOULD OTHERWISE ARISE IN THE CEPS BY THE END OF OCTOBER. /A/ MCAULIFFE.

END TEXT.

MCAULIFFE.

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